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TWENTY-SIXTH
ANNUAL REPORT

OF THE

Board of Directors

OF THE

Pennsylvania Railroad Co.

TO THE

STOCKHOLDERS,

MARCH 10th, 1873.

PHILADELPHIA:

**E. C. MARKLEY & SON, PRINTERS, 422 LIBRARY STREET,
1873.**

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DIRECTORS

OF THE

Pennsylvania Railroad Company,

FOR THE

YEARS 1873 and 1874.

BY THE STOCKHOLDERS.

J. EDGAR THOMSON,
JOSIAH BACON,
WISTAR MORRIS,
SAMUEL T. BODINE,
JOHN M. KENNEDY,

EDWARD C. KNIGHT,
JOHN RICE,
JOHN SCOTT, Pittsburgh,
ALEXANDER J. DERBYSHIRE,
SAMUEL M. FELTON.

BY THE CITY OF PHILADELPHIA.

WILLIAM ANSPACH,

G. MORRISON COATES,
ALEXANDER M. FOX.

BY THE BOARD.

THOMAS A. SCOTT,

GEORGE B. ROBERTS.

PRESIDENT,

J. EDGAR THOMSON.

VICE-PRESIDENTS,

THOMAS A. SCOTT,

GEORGE B. ROBERTS,

Assistant to the President.

STRICKLAND KNEASS.

Treasurer,

EDMUND SMITH.

Secretary,

JOSEPH LESLEY.

General Solicitor,

WILLIAM J. HOWARD.



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ANNUAL MEETING.

Philadelphia, March 11, 1873.

The Annual Meeting of the Stockholders of the Pennsylvania Railroad Company was held at 10 o'clock A. M. at Concert Hall.

The Hon. William S. Stokley, Mayor of Philadelphia, was called to the chair, and Joseph Lesley appointed Secretary.

The Annual Report of the Board of Directors for the year 1872 was read.

Mr. James Magee then offered the following :—

Resolved, That the Report of the Board of Directors for the year 1872 be and is hereby accepted by the Stockholders, and that it be published in pamphlet form.

Mr. George Earle offered the following amendment :—

Resolved, That for the purpose of enabling the Stockholders of the Pennsylvania Railroad Company to understandingly vote for the adoption or rejection of the Annual Report of the President and Directors of the said Railroad now presented, this meeting do now adjourn until Monday 24th inst., at 10 A. M.; and the Board of Directors cause the Report to be printed in pamphlet form, for the use of the Stockholders, at least five days before the assembling of the adjourned meeting.

Which was not adopted.

Mr. Earle then offered the following amendment :—

Resolved, That all that part of the Report purporting to be a reply to the resolution offered at the last Annual Meeting by Mr. John Hulme, be omitted from the printed report; and the Board of Directors are hereby requested to have the said resolution and reply thereto printed separate for the use and future action of the Stockholders.

Which was not adopted.

Mr. John Hulme then offered an amendment as follows :—

That there be printed with the Report a list of the Stockholders of the Pennsylvania Railroad, of fifty shares and upwards, their names, residence, and number of shares owned by each respectively, as they stood on the books of the Company on March 1, 1873.

Which was not adopted.

The question being taken on the resolution of Mr. Magee, it was adopted.

The following Act of the Legislature (referred to in the report) was read by the Secretary :—

“A further Supplement to the Act Incorporating the Pennsylvania Railroad Company, authorizing an increase of its capital stock, the issue of bonds and the securing of the same by mortgage.

SECTION 1. *Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania, in General Assembly met, and it is hereby enacted by the authority of the same*, That it shall be lawful for the Pennsylvania Railroad Company, from time to time, to increase its capital stock to such amounts as the Stockholders may, by resolution passed at any regular or special meeting authorize; said increase not to exceed an amount equal to the amount of the capital stock which said Company is now by law authorized to issue, and when so authorized, to apportion or dispose of the said

shares in such manner and upon such terms (but of not less than the par value thereof) as the Board of Directors may deem for the best interests of the Company; and the said Company may issue, from time to time, bonds of the said Company, payable at such time as they may appoint, bearing interest at a rate not exceeding seven per centum per annum, with or without provision for the payment by the Company of any or all taxes on the principal or interest thereof, and to secure, from time to time, the said bonds by one or more mortgages of the whole, or any portion of the railroads, estate, real and personal, and corporate rights and franchises, acquired and to be acquired, of the said Company; *Provided, however,* That no bond or bonds shall at any time be issued in excess of the amount of the capital stock of said Company outstanding at the time of such issue; but any such mortgage or mortgages may, at the option of and to the amount fixed by the said Company, be made to secure with the same rights, lien and privileges, bonds which a subsequent increase of capital stock may enable the said Company to issue as well as those which may be issued at the date of the execution of said mortgage.

SECT. 2. That any mortgage or mortgages executed and delivered as authorized by this Act shall be recorded in the office of the Recorder of Deeds of the City and County of Philadelphia, and shall thereupon, without further record, be a lien on the property mortgaged wherever situated as fully and effectually as if it had been recorded in each of the several counties in which the mortgaged premises, or any part thereof, are or may be situated."

On motion, the following resolutions were adopted:—

Resolved, That the action of the Board of Directors at their meeting of the twenty-sixth day of February, 1873, accepting an Act entitled "A further Supplement to the Act Incorporating the Pennsylvania Railroad Company, authorizing an increase of its

capital stock, the issue of bonds, and the securing of the same by mortgage," approved the eighteenth day of February, 1873, be and the same is hereby ratified and approved.

Resolved, That in pursuance of the authority conferred by the said Act approved the eighteenth day of February, 1873, the Stockholders do hereby authorize the said Company, from time to time, to increase its capital stock to an amount not exceeding the amount of capital stock which said Company was by law authorized to issue prior to the date of said Act approved February 18, 1873; but the Board of Directors shall not issue, sell, apportion, or dispose of, more than five hundred thousand shares of the capital stock without the further action of the Stockholders.

Resolved, That the Board of Directors be and they are hereby authorized to issue the bonds of the Company, in pursuance of an Act entitled "A further Supplement to the Act Incorporating the Pennsylvania Railroad Company, authorizing an increase of its capital stock, the issue of bonds and the securing of the same by mortgage," approved the eighteenth of February, 1873, and to secure the same by a mortgage of the whole, or any portion of the Railroad, estate, real and personal, and corporate rights and franchises acquired and to be acquired by the said Company.

Mr. Earle offered the following:—

Resolved, That the Board of Directors are hereby required to have all future Annual Reports printed and distributed to the Shareholders at least ten days before the Annual Meeting called to take action thereon.

Which was not agreed to.

On motion of Mr. C. H. T. Collis, it was

Resolved, That the Stockholders of the Pennsylvania Railroad Company specially commend the action of the Board of Directors

in their desire to promote the success of the Centennial Anniversary of the Declaration of Independence, illustrating as it does a continued interest by this Corporation in the welfare of the City of Philadelphia.

On motion, it was

Resolved, That the thanks of the Stockholders be extended to J. Edgar Thomson, President, Thomas A. Scott, Vice-President, and to the other Officers, and to the Board of Directors, for their faithful, enterprising and energetic management of the Road during the past year.

And, on motion, it was also

Resolved, That the thanks of the meeting be extended to the Mayor of the City for the dignified and impartial manner in which he has presided over its deliberations.

The meeting then adjourned.

W. S. STOKLEY,

Chairman.

JOSEPH LESLEY,

Secretary.

TWENTY-SIXTH ANNUAL REPORT.

Office of the Pennsylvania Railroad Company,
Philadelphia, March 10, 1873.

To the Stockholders of the
Pennsylvania Railroad Company :

Your Directors have much pleasure in submitting to you the following very satisfactory statements of the business of your Railways and Canals for the past year.

The earnings of your Railroad and Branches between Philadelphia and Pittsburg were ;

From Passengers,	-	-	-	\$4,022,012 80
" Emigrant Passengers,	-	-	-	240,005 05
" Mails,	-	-	-	154,914 78
" Express Matter,	-	-	-	449,627 35
" General Freights,	-	-	-	16,856,891 41
" Miscellaneous Sources,	-	-	-	289,073 85
				<hr/> \$22,012,525 27

EXPENSES.

For Conducting Transportation,	-	-	\$4,964,932 75
“ Motive Power,	-	-	3,826,946 40
“ Maintenance of Cars,	-	-	1,305,899 83
“ Maintenance of Road,	-	-	3,337,724 69
“ General Expenses,	-	-	329,169 42
			<hr/> \$13,764,673 09
			<hr/>
Leaving Net Earnings in 1872,	-	-	\$8,247,852 18

The Total Earnings of these Works in 1871 were,	-	-	\$18,719,836 85
And for 1872,	-	-	22,012,525 27
			<hr/>
Showing an Increase in 1872 of	-	-	\$3,292,688 42
			<hr/>

Of the above earnings, there was received from the 358 miles of Main Line ;

In 1872,	-	-	-	-	-	-	\$20,010,818 80
In 1871,	-	-	-	-	-	-	17,338,824 28
							<hr/>
Increase from the Main Line,	-	-	-	-	-	-	\$2,671,994 52
							<hr/>

And from the Branch Lines ;

In 1872—426 miles in length,	-	-	-	-	-	\$2,001,706 47
In 1871—375 “ “	-	-	-	-	-	1,381,012 57
						<hr/>
Increase,	-	-	-	-	-	\$620,693 90
						<hr/>

The Earnings of the Branch Lines operated by your Company

in 1872, as already stated, were, - - - - \$2,001,706 47

The Expenses of operating them, including Rents of Leased

Branches, were, - - - - 1,994,121 84

Showing a net direct Profit in operating these Lines, of, \$7,584 63

The sources of revenue in 1872, compared with those of 1871, show an increase in every item as follows ;

First-class Passengers,	-	-	-	-	-	\$302,748 44
Emigrant “	-	-	-	-	-	83,612 96
General Freights,	-	-	-	-	-	2,804,586 90
Mails,	-	-	-	-	-	7,021 66

Express Matter,	-	-	-	-	-	-	87,277 45
Miscellaneous, -	-	-	-	-	-	-	7,441 01
Total, -	-	-	-	-	-	-	<u>\$3,292,688 42</u>

The whole number of passengers carried in 1871 was 4,699,985, and in 1872 5,250,393, an increase of 550,408 or nearly $11\frac{71}{100}$ per cent.

The average distance travelled by each passenger was $33\frac{11}{100}$ miles, being $\frac{58}{100}$ more than in 1871.

The number of tons of freight moved (including 614,757 tons of fuel and other materials for the Company's use) was 8,459,535 tons, embracing 3,669,071 tons of coal. It was last year 7,100,294 tons, showing an increase of 1,359,241 tons or over $19\frac{3}{10}$ per cent.

The average charge per net ton per mile upon freights during the year was $1\frac{41\frac{63}{10000}}$ cents, against $1\frac{38\frac{87}{10000}}$ cents last year, and per passenger $2\frac{45}{100}$ cents per mile against $2\frac{53}{100}$ last year, or an average increase in the rate of freight charges in 1872 above those of 1871, of $0\frac{02\frac{76}{10000}}$ or a little over a quarter of a mill per ton per mile; and in passenger charges a decrease of $\frac{8}{10}$ of a mill per passenger per mile.

The average cost of moving freight was $0\frac{88\frac{6}{10000}}$ cents per ton per mile, and for passengers $1\frac{83\frac{7}{10000}}$ cents per passenger per mile.

The actual cost of operating your Railway, including Branch Lines, in 1872 was $62\frac{53}{100}$ per cent. of its receipts; excluding Branch Lines it was $58\frac{92}{100}$ per cent.

For more detailed statements of the receipts and expenses of your Main Line the Shareholders are referred to the full and satisfactory reports of the General Manager and Controller.

The earnings of the Philadelphia and Erie Railroad in 1872, were ;

From Passengers, - - - -	\$647,274 09
“ Freights, - - - -	3,177,548 92
“ Express matter, - - - -	44,917 87
“ Mails, - - - -	27,573 20
“ Miscellaneous sources, - - -	83,438 79
<hr/>	
Total (nearly \$13,822 per mile of road), - -	\$3,980,752 87

The operating expenses during the same period were ;

For Conducting Transportation, - -	\$841,298 21
“ Motive Power, - - - -	915,755 45
“ Maintenance of Cars, - - - -	338,019 18
“ Maintenance of Way, - - - -	1,192,943 07
<hr/>	
	\$3,288,015 91

Showing a balance to the credit of Philadelphia and Erie R. R. of \$692,736 96

The number of tons of freight moved upon this line during the year was 2,028,568 tons, against 1,828,491 in 1871, 1,614,287 in 1870 and 1,302,041 in 1869, showing a steady annual increase of traffic.

The average charge made per mile on freights was $1\frac{190}{1000}$ cents per ton per mile, and the actual cost of its movement $0\frac{941}{1000}$ of a cent per ton per mile, leaving a margin of profit of only one-quarter of a cent per ton per mile.

The increase of tonnage in 1872 over 1871 was 200,077 tons, and the increase in revenue from freights was \$377,190 $\frac{61}{100}$, and from passengers, \$61,298 $\frac{53}{100}$; the total increase of revenues for the year being \$438,489 $\frac{14}{100}$, but the expenses, chiefly owing to the destruc-

tion of the Linden Bridge over the Susquehanna River by fire, and the unusually large amount of iron required to keep the track in good condition, have more than absorbed this increase.

The net earnings of the Philadelphia and Erie Railroad have disappointed the expectations of its friends and projectors; not in the extent of its tonnage, since the modification of the lease, but in the rates of freight that it has been able to command, for what it carried. This line being longer from the commercial centres of the East, to all important points of the West than its competitors, and traversing a sparsely populated country, with gradients unfavorable for cheap transportation, the cost of conducting its passenger business has usually exceeded the income from this branch of revenue. This year it shows a loss of \$37,933.73.

In working this Railway, it early became apparent that the continuance of the old lease, which exacted thirty per cent. of the receipts without regard to the rates of freight that could be procured, must result in the adoption of charges by the Lessee that would render any participation in the lake trade at Erie, or through traffic from west of the mountains, impossible. For such business the Erie Railway Company, the chief competitor of this line, charged rates that yielded it little or no profit, and the Lessee consequently had no other resort but to meet this competition, or abandon the through traffic and rely upon the local business of the line for its support, at rates of freight which would leave a sufficient margin for profit on its transportation, to meet the terms of the lease.

Before adopting the policy here indicated, which appeared to be opposed to the interest and expectations of the public, the question of a modification of the lease, to meet the difficulty thus developed by the character of the traffic of the line, was brought before the Shareholders of the Philadelphia and Erie Railroad Company, who with

great unanimity adopted the alterations proposed. Under the modified terms, the Lessee agreed to work the line at cost, giving to the Shareholders whatever profit the enterprise might develop.

This change in the lease has permitted the Pennsylvania Railroad Company, to develop the resources of the country traversed, meet the interest upon its bonded indebtedness, and preserve the property to the Shareholders; that they may be able to reap from their investment whatever advantage the future has in store for them, from an increase in the population and wealth of the country traversed or that which may become tributary to the line.

Before the lease was entered into, the shares of the Philadelphia and Erie Railroad Company had only a nominal value, being freely offered at five per cent. of par. They are now marketable at over fifty per cent. (an increase of a thousand per cent), clearly demonstrating that the lease has not had, as represented, a depressing influence upon the stock of the Company.

The lease of this line was only offered to the Pennsylvania Railroad Company, after it had been declined by the officers of the Philadelphia and Reading Railroad Company, and after all other means for raising the funds required to complete the work—that did not involve the sacrifice of the stock of the Company—had failed.

The failure of this enterprise to become at once profitable, is due, first, to its having been started with insufficient capital; second, that it was located without reference to the capabilities of the country it was to traverse, to yield a sufficient traffic for its support. Instead of crossing the valuable coal deposits of the Alleghany Mountains it passed north of them, and in doing so avoided also the still more important oil deposits of northwestern Pennsylvania—the existence of which was then unknown—being influenced in the adoption of the present route, by two insignificant local subscriptions to its stock; thirdly, by commencing and continuing the work of construction

at both ends of the Line, when the means of the Company were insufficient for the execution of any considerable portion of either end—a policy which, has ruined many other extended enterprises, and by the temporary adoption of which by the Pennsylvania Railroad Company, the early success of that enterprise was jeopardized; fourthly, from its financial sacrifices incurred to secure an early opening of its road, through which mainly its cost with a single track has amounted to \$75,744.00 per mile, while that of the Pennsylvania Railroad with a double track throughout and a third track for a portion of the distance, traversing a vastly more rugged country, was but \$71,992.00.

In strong contrast with this financial policy, it may be stated that all discounts allowed on the sale of bonds during the construction of the Pennsylvania Railroad, as well as the interest that had been paid to shareholders and others until the railway was finished to Pittsburg, were charged directly to the expense account, and subsequently returned from the net revenues of the railway, instead of, as in the Philadelphia and Erie and many other cases, having been charged to the cost of construction permanently.

The only way, it is believed, by which the stock of the Philadelphia and Erie Railroad Company can be made profitable, is through the employment of more capital to open up the resources of the country naturally tributary to it; this is now being done, and it is hoped that it will finally enable the Company to earn dividends to its shareholders.

The earnings of the United Railroads of New Jersey and the Philadelphia and Trenton Railroad, excluding those of the Belvidere, Delaware Railroad and Flemington Branch were, in 1872;

From Passengers,	-	-	-	-	-	\$4,573,312 52
“ Freights, -	-	-	-	-	-	3,263,293 86
“ Express matter, -	-	-	-	-	-	236,554 95

From Mails, - - - - -	48,485 00
" Miscellaneous sources, - - - - -	144,580 47
	<hr/>
	\$3,266,226 80

EXPENSES.

For Conducting Transportation, - - -	\$2,755,690 75
" Motive Power, - - - - -	1,595,096 62
" Maintenance of Cars, - - - - -	379,637 17
" Maintenance of Road, - - - - -	1,224,007 03
" General Expenses, - - - - -	50,735 21
	<hr/>
	6,005,166 78
Leaving Net Earnings in 1872, - - -	<hr/>
	\$2,261,060 02

The earnings of the Belvidere Delaware Railroad, sixty-eight miles in length, and Flemington Branch of twelve miles, were in 1872;

From Passengers, - - - - -	\$154,479 83
" Mails, - - - - -	4,319 26
" Express Matter, - - - - -	3,737 31
" General Freights, - - - - -	499,499 33
" Miscellaneous sources, - - - - -	2,357 45
	<hr/>
	\$664,393 18

EXPENSES.

For Conducting Transportation, - - -	\$125,906 60
" Motive Power, - - - - -	146,434 90
" Maintenance of Cars, - - - - -	44,840 09
" Maintenance of Road, - - - - -	193,349 89
	<hr/>
	515,531 48
Showing a balance to credit of Belvidere R. R. for 1872 of	<hr/>
	\$148,861 70

The earnings of the Delaware and Raritan Canal in 1872 were ;

From Tolls,	-	-	-	-	-	-	\$938,832 06
" Steam Towing,	-	-	-	-	-	-	567,053 99
" Miscellaneous,	-	-	-	-	-	-	18,719 19
							<u>\$1,524,605 24</u>

EXPENSES.

For Maintenance of Canal,	-	-	-	\$278,930 52	
" Canal Operation, including drawbacks of					
\$109,448 80,	-	-	-	293,388 27	
" Steam Towing Account,	-	-	-	443,718 70	
				<u>1,016,037 49</u>	
Leaving Net Earnings in 1872.	-	-	-	-	<u>\$508,567 75</u>

After deducting drawbacks allowed to shippers in 1872, and also in 1871, the actual revenues from the Delaware and

Raritan Canal, were in 1872,	-	-	-	-	\$1,415,156 44
And they were in 1871,	-	-	-	-	1,280,736 84
					<u>134,419 60</u>
Showing an increase of	-	-	-	-	

The earnings of the Philadelphia and Trenton and the United Railroads of New Jersey, Belvidere Delaware Railroad and Flemington Branch, and Delaware and Raritan Canal in 1872 were ;

From United Railroads of New Jersey, &c.,	-	-	-	\$8,266,226 80
" Belvidere, Delaware Railroad, and Flemington Branch,				664,393 18
" Delaware and Raritan Canal.	-	-	-	1,524,605 24
				<u>\$10,455,225 22</u>

EXPENSES.

For United Railroads of New Jersey, -	-	\$6,005,166	78	
" Belvidere, Delaware Railroad, and Flem- ington Branch, including net earnings, (146,861 70), -	-	664,393	18	
" Canal, -	-	1,016,037	49	
				<u>7,685,597 45</u>
Total Net Earnings of Railroad and Canal in 1872, -	-	\$2,769,627	77	
The Gross Receipts from these works in 1871 were, -	-	8,959,157	06	
And those for 1872 -	-	\$9,962,461	96	
An increase of -	-	\$1,003,304	90	
The amount required to pay interest on Bonds and Dividends to the shareholders of the United New Jersey Railroads and Canal, under the lease, is -				
				\$3,292,987 34
To which add the interest at seven per cent. upon the average estimated amount of additional capital employed in conduct- ing the business of the Road, "\$1,740,890 93," six months,				
				60,931 11
Add interest on loss in operating road in 1871, "\$930,238 23," one year, seven per cent. -				
				65,116 67
Total, -	-	\$3,419,035	15	
From this deduct the amount contributed to the Sinking Fund from the earnings of the Railways in 1872, -				
				\$112,920 00
And the amount of debt of the United Com- panies paid off by the Pennsylvania Rail- road Company in 1872, -				
				140,568 12
Amount received from investments, -				
				<u>171,629 92</u>
				425,118 04
Balance, -	-	\$2,993,917	11	
From which deduct net earnings of Railways and Canals, -	-	2,769,627	77	
Leaving the deficit in 1872, -	-	224,289	34	
Add deficit that had accrued up to January 1, 1872, -	-	930,238	23	
The total deficit up to January 1, 1873, was -	-	\$1,154,527	57	

In considering this statement it will be recollected that no charge has been made against the business of the New Jersey Railroads for the use of the cars of the Pennsylvania Railroad Company engaged in the through traffic over those railroads, or for any part of the general expense account incurred for the management of the whole of the works of your Company, which should be distributed in due proportion among its own and leased lines.

On the completion of the extensive improvements commenced at and near Jersey City, and the construction of the additional tracks contemplated along the line, it is believed that the cost of moving and handling freights and passengers will be so materially reduced that we shall be able not only to meet the terms of the lease from the profits of the works, but to gradually extinguish the large deficit that has accumulated. Without the additional facilities already provided, the increase of the business of the past year could not have been disposed of at all, and the proper working of the line is still greatly embarrassed for want of the additional facilities which are now being provided.

As large however as this deficit now amounts to, if never returned from the profits of these works—its creation was fully justified by the absolute necessity there existed for the accommodation of the rapidly increasing traffic of your Line from the West, destined to New York and the East, the small profits upon the transportation of which were not considered by the lessors of these railroads and canals of sufficient importance to induce them to incur the heavy terminal expenditures required for its prompt and economical delivery.

The number of passengers carried over the United Railroads of New Jersey in 1872, was 7,580,795, and the average distance travelled by each passenger was $21\frac{39}{100}$ miles.

The number of tons of freight moved was 2,536,304 tons, including 55,732 tons of bituminous coal for shipment at South Amboy and 78,027 tons of material transported for the Company's use.

The average charge per net ton per mile upon freights during the year was $2\frac{55}{100}$ cents, and per passenger $2\frac{52}{100}$ cents per mile.

The actual cost of operating the Philadelphia and Trenton and the United Railroads of New Jersey in 1872, was $72\frac{64}{100}$ per cent. of its receipts, which high rate is mostly due to the want of facilities at the termini of the road for handling economically the large traffic of the line.

The number of tons of freight moved on the Belvidere Delaware Railroad and Flemington Branch, was 914,833 tons, of which 842,749 tons was anthracite coal.

The average charge per net ton per mile upon the freights carried over these lines, in 1872, was $1\frac{11}{100}$ cents, and the cost of moving it was but $0\frac{81.9}{100}$ cents per ton per mile, reflecting much credit upon F. W. Jackson, the General Superintendent, and John A. Anderson, the Superintendent in immediate charge, for the efficient and economical management of the line.

As the accounts of the business of these railways have not heretofore been entered in the form and detail, with which those of the Pennsylvania Railroad Company have been kept, we have no reliable data for comparing the results of the business of 1872 with those of previous years.

The Lease of the New Jersey improvements between Philadelphia and New York includes also, the Delaware and Raritan Canal—the water line between those cities. This work is under the charge of I. J. Wister as General Superintendent, in place of John G. Stevens, elected General President of the several Companies in New Jersey whose lines you have leased. This canal, though its

coal tonnage fell off materially in 1872, has yielded an increase in its net profits, over the previous year of \$134,419 60.

With the lease of the New Jersey Railroads and Canal, your Company also received property represented by shares in and bonds of Branch Railroads, Street Railroads, Turnpikes, Bridges and Ferries over the Delaware and Hudson Rivers, amounting at par to \$5,714,444.25, valued at the time of their delivery at \$4,065,225.25, and believed to be now worth about that sum. These securities yielded in 1872 a net revenue of \$171,629.92, but they cannot be sold without injury to the general interest of the Company: This leaves the means necessary to make the improvements so urgently demanded for the accommodation of the large and increasing business of these railroads at Philadelphia, Jersey City and along the line, to be obtained from other sources. These improvements, consisting of additional tracks for passing trains, sidings at the termini, shops, engine houses, passenger stations, warehouses, wharves and stock yards, the construction of which could not be longer delayed, have been commenced and will be prosecuted with vigor. Their completion will require a heavy outlay, which, if it had been incurred some years since, would at this time have added materially to the revenues of the Company, and to a greater extent have diminished the expenses of managing its business.

The live stock traffic of the Pennsylvania Railroad Company destined to Jersey City, New York and points in the East, for want of facilities for its accommodation at Jersey City, has for many years been forced to leave the Pennsylvania Railroad at Harrisburg, 106 miles west of Philadelphia and reach New York over the East Pennsylvania and New Jersey Central Railroads, thus losing the profit of its transportation for about 200 miles out of 450 miles between Pittsburg and New York.

The New Jersey Central Railroad Company, in consequence it is supposed of the crowded condition of its line, has recently demanded

specific rates for the transportation of live stock over its railway, instead of its share of the rates obtainable in competition with other routes, as heretofore. To meet this movement and restore this traffic to its natural channel, your Company is under the necessity of at once incurring a heavy expenditure, which ought to have been made some years since by the New Jersey Companies.

The estimated expenditures for all these works during 1872, 1873 and 1874, including the rebuilding of the Trenton and Brunswick bridges with iron, has been estimated at \$5,250,000. To meet this sum, the Joint Railroad Company of New Jersey have delivered to us of their General Mortgage Bonds, \$3,000,000, the interest upon which will have to be added to the annual payments to be made under the lease.

The revenues of all the lines operated by your Company in 1872, between Pittsburg and Jersey City, and the amounts paid for their working expenses, interest on debts and dividends to shareholders, are as follows ;

RECEIPTS.

From the Pennsylvania Railroad and Branches,	-	-	\$22,012,525 27
“ Philadelphia and Erie Railroad,	-	-	3,980,752 87
“ United Railroads of New Jersey,	-	-	8,266,226 80
“ Belvidere Delaware R. R., including the Flemington Branch,	-	-	664,393 18
“ Delaware and Raritan Canal,	-	-	1,524,605 24
“ Dividend on stock in the Pennsylvania Company from April 1 to October 1, 1872,	-	-	240,000 00
Total,	-	-	<u>\$36,688,503 36</u>

EXPENSES.

Of the Pennsylvania Railroad and Branches,	\$13,764,673 09
“ Philadelphia and Erie Railroad, including net earnings,	- - - 3,980,752 87

Of the United Railroads of New Jersey,	-	6,005,166	78	
“ Belvidere Delaware Railroad, and the Flemington Branch, including net earnings,	- - - -	664,393	18	
“ Delaware and Raritan Canal,	-	1,016,037	49	
				<hr/> 25,431,023 41
Net profits for the year upon all the lines operated by the Company,	- - - - -			<hr/> \$11,257,479 95
From which deduct dividends declared in May and November (each 5 per cent.), with the taxes paid thereon,	- - - -	\$4,711,497	00	
Interest paid by the Company after deducting interest and dividends received,	- -	431,145	95	
Paid for the Lease of the Harrisburg and Lan- caster Railroad,	- - - -	135,056		
Annual payment to the State of Pennsylvania on account of interest and principal due upon the purchase of the works between Pittsburg and Philadelphia,	- - -	460,000	00	
Dividends and interest paid on account of the United Railroads and Canals of New Jersey in 1872 (\$3,292,987.34), after deducting in- terest received from investments transferred with the Lease (\$171,629.92), showing an out- lay in operating them under the Lease in ex- cess of their net receipts of \$224,289.34,	-	3,121,357	42	
				<hr/> 8,862,056 71
Balance,	- -			<hr/> <hr/> \$2,395,423 24

This balance represents the net results of the operations of your several lines of railway in Pennsylvania and New Jersey for the year 1872, and they are thus stated that you may fully understand the value of your property, nothing having been entered to the

expense account except the regular transportation charges against the business of the Company. In former years, the expense account was increased annually by considerable payments that might have been charged to construction account, which, had they been divided as profits, would to that extent have increased the present indebtedness of the Company.

The Pennsylvania Railroad Company has also a large amount of property that is at present practically unproductive, such as a controlling interest in 22,194 acres of Anthracite coal lands, stock in the Pennsylvania Canal, and in Railroads, the profits of which in a short time will add largely to its net revenues, but which at present are small, and have been devoted to their improvement.

It will be seen from the preceding statement that the surplus net profits of your Company in 1872, without including those from the sources alluded to, were sufficient to have paid a dividend at ten per cent, upon an additional capital stock of nearly \$24,000,000, and there is every reason to believe from the daily indications of the future business of the Company, that without further outlays the profits of 1873 would be equally satisfactory. But as it is the duty, as well as the interest of your Company, to meet the legitimate demands of the public for increased transportation facilities, the means necessary for that object must be provided. The amount required in 1873 for additional tracks, equipment, shops, wharves, depots, &c., &c., to meet the demands from the increasing traffic of your Lines and the existing obligations of the Company is estimated at \$22,000,000.

The increase of the tonnage of 1871 over 1870 was $22\frac{1}{2}$ per cent, and in 1872 over 1871 was $19\frac{3}{10}$ per cent upon this increased amount. This rate could have been further increased by the possession of additional rolling stock and better terminal facilities. The increase of tonnage was chiefly due to the local traffic of the Line, which—though probably not in so great a ratio—will, it is believed, continue for some years to come.

The amount of rolling stock, &c., added in 1872, though deemed ample to meet the wants of the public, proved inadequate to that object. A further increase of equipment involves also large extensions of third track, sidings, ware-houses, and all other facilities that a Railroad requires, the business of which is at this time crowding all of its departments. To raise the means desired to provide for this anticipated increase of traffic, your Directors have concluded that inasmuch as the surplus profits of the year were largely in excess of the amount required to pay the usual dividend on its existing capital, the most acceptable mode for raising this sum would be by a distribution of an additional number of shares to the extent of $33\frac{1}{2}$ per cent of their present holdings, ratably among all of the Stockholders whose names may stand upon the books of the Company on the first day of April next, one-half to be paid in between the 1st and 24th of May, and the remainder (50 per cent.) to be called for on sixty days' notice, in instalments not exceeding 25 per cent. at any one time.

To meet these annual requirements for additional funds, your Directors have thought it best to adopt a revised financial plan; and with that view they have procured an Act of the Legislature authorizing an increase of the Capital Stock of the Company one hundred per cent., with the privilege of raising by bonds, to be secured by mortgage, an equal amount. A certified copy of said Act is submitted to you with this report for your action.

An application, in 1869, for an Act to increase the capital of the Company and its mortgage indebtedness, elicited such strong objections, in consequence of its apparent magnitude, from those who could not appreciate the extent and rapidity with which the traffic of the Company would increase, that it was thought expedient to agree that the amount asked for should be cut down to \$35,000,000, an amount which has already proved to be wholly

inadequate to the requirements of the Company. It has therefore been thought advisable to discontinue the sale of the present general mortgage bonds, at the sum of \$20,000,000, and to provide, by an additional general mortgage, an amount sufficient to meet the future necessities of the Company. The basis for such a mortgage was increased last year by the issue, at par, of \$11,932,000 capital stock, which it is now proposed to further increase by an issue of additional capital, amounting to about \$18,000,000, making the basis for the issue of additional Bonds under the proposed mortgage \$71,000,000; the aggregate amount of the preceding mortgages and prior liens being but \$34,911,300.

In addition to the value of the Railroad, its Branches, real estate equipment and franchises as a basis of security, the Company has assets consisting of stocks and bonds of other companies, amounting at their present cash value to \$50,396,000, which will largely increase the security of such a general mortgage.

A communication was submitted at your last Annual Meeting, in opposition to the continuance of fast freight lines upon the Pennsylvania Railroad, and was referred by you to the incoming Board for examination, with instructions to report their views thereon.

The expediency of establishing such lines, owned by individuals or transportation companies, was at the time of their introduction admitted by your Directors to be involved in grave doubts, and their introduction upon your Road was not entertained by your Directors until every argument had been exhausted to induce the Railroad Companies of New York, contending for the same traffic between the East and the West, to discontinue their employment. •

It was found impossible, while these Transportation Companies existed, under contracts with the New York Railroad Companies which made it their direct interest to disregard them, to preserve uniform rates, and it was not until after years of remonstrance and the

non-enforcement of agreements frequently entered into with the New York Railroad Companies to abolish these lines, that this Company entertained the propriety of meeting the difficulty by the employment of the same weapons of attack and defence. After much delay and earnest consideration, the subject was finally brought before your Board for its determination, and referred by it to the Road Committee. After a full investigation of the subject, a report was drawn up by it, authorizing the establishment of a fast freight line over the Pennsylvania Railroad and its connections as the best means for meeting this competition.

This report was unanimously adopted by your Directors, and a contract entered into with intelligent and active parties who had spent nearly their whole lives in the business of transportation between the East and the West, upon the State Works of Pennsylvania; gentlemen who thoroughly understood the views and objects of the Board, and who entered upon their duties under an Act incorporating them as the "Union Railroad and Transportation Company," with ample means and a determination to accomplish the object assigned to them. In different and less experienced hands the enterprise, under the terms of their contract with your Company, would most probably have proved a failure.

When the Union Line was established your Company controlled no railway west of Pittsburgh or east of Philadelphia, and held but little over 350 miles of road between the eastern and western commercial centres, while the cars of this Transportation Company were expected to traverse many thousand miles of railways in the West; gather up all the traffic that they could secure and bring it to the eastern markets over your works, returning them by the same channel filled with the merchandize and manufactures of the East.

The western railways were found by the Union Transportation Company to be generally deficient in car equipment, and the Com-

panies owning them gladly welcomed the advent of an enterprise calculated to relieve their ever increasing wants, and eagerly entered into contracts with it for the use of their railroads by its cars, and under these contracts it was enabled to successfully fulfil the objects we had in view.

The Union Transportation Company was organized under great doubts as to its financial success, without solicitation from its proprietors, and against the principles which the Board *then* recognized as those which *should* govern Railway Companies in the management of their affairs. But its establishment, under the circumstances that then existed, was considered necessary to the success of the Pennsylvania Railroad Company, and its results have fully justified its organization.

Since your Company has acquired control of its extended western connections, east of the Mississippi, and removed the obstructions that interrupted a free flow of traffic over your railroad from the trade centres of the West to those of the East, the mission of the Transportation Company has been fulfilled, and its continuance in the sphere it occupied is no longer important to your interest.

It was contemplated on the organization of the Pennsylvania Company to manage your western connections in the manner pointed out in previous reports, that it should fill the place occupied by the Union Transportation Company. It has however, required time to get these extensive works into harmonious and efficient action, and to fully understand their traffic. The Pennsylvania Company is now ready to assume this duty, and arrangements have been made for the transfer of all the transportation facilities of the Union Company to it, which will be carried into effect as early as the transfer can be properly made. The actual value of the property to be thus transferred, consisting of cars, warehouses, wharves, offices, shops, sidings, and all other property incident to its trans-

portation facilities, is estimated—without its good will—at over \$3,000,000, and it has been purchased by the “Pennsylvania Company” for three millions of its Common Stock at par, thus interesting individuals of experience in the management of that great enterprise—a consideration of material importance and value.

The Union Line having fulfilled the objects that this Company had in view at its establishment, in a manner satisfactory to its employers, it is gratifying to be able to state that it has been so efficiently managed, that it has also proven a pecuniary success to its shareholders. Its profits have however been mainly derived from transportation, over the extended system of railways west of Pittsburg and east of Philadelphia, under contracts of their own procurement, with the Companies whose roads their cars traversed. The high rates of transportation that prevailed during the rebellion, yielded very profitable results to the line, as well as to your Company—the through rates over the Pennsylvania Railroad in many cases having been twice those charged upon its local freights.

It will also be remembered in this connection that neither law nor public opinion would at the time have permitted the assumption of powers by your Company that would have enabled it to establish a transportation line to meet successfully the object that your Company had in view. When the Pennsylvania Railroad Company commenced business west of Harrisburg (its then eastern terminus) under the influence of the narrow policy which then governed the management of the State Works, it was enjoined from running its cars over the Philadelphia and Columbia Railroad, a work built by the Commonwealth especially to afford equal facilities to all that would use it. A more enlightened view of the subject prevailed however in the Supreme Court, and the injunction was dissolved.

In reviewing the facts which induced the confirmation of the contract entered into with the Union Line, your Board is fully satisfied that the best interest of your Company was promoted by the adoption of the report of the Road Committee referred to, and that the results of the operations of the Transportation Company have been highly advantageous to your Company.

To draw a line that should regulate the interference of a corporation with private enterprises, even where directly authorized by its charter to do so, is a matter of extreme delicacy, and the power should be exercised with great caution, and with a disposition to bear the ills that they bring upon the corporation and public—which are not without their compensating advantages—rather than deal harshly with established interests.

Your Board still believe that where cars have to traverse extended lines of other and different Railways, that it is best for the interest of the Railway Company where such lines are necessary that they should be owned by private corporations or individuals, and run under *proper special* contracts with those controlling the Railways to be used.

The extent of your Western connections and the rapid increase of the local and through tonnage of the Pennsylvania Railroad have not only pressed upon your Company the necessity of increasing the facilities of its own Line, by the laying of additional tracks, without which the traffic of the past year could not have been accommodated, but they have also pointed out the necessity that exists for an additional Line across the mountains that separate the waters of the Mississippi Valley, from those of the Atlantic; to be built especially for freight, and designed for cheap transportation at slow rates of speed.

The route adopted for this purpose has been pointed out in previous reports, and the Line is now being constructed, with the

assistance of this Company, by the Allegheny Valley Railroad Company, and will connect its present Road at the mouth of Red Bank Creek, with the Philadelphia and Erie Railroad at a point 120 miles west of its eastern terminus at Sunbury.

This Line has no gradients against the traffic exceeding a rise of three-tenths in a hundred, or less than sixteen feet in a mile on straight lines—reduced proportionately upon curves. Its route abounds through its whole extent with cheap fuel, consisting of several varieties of Bituminous Coal in unusually thick beds, embracing the best coking coals for iron smelting, blacksmiths', gas and cannel coals—the latter being the most accessible, of that variety, to the Eastern markets.

This "Low Grade Line" is in rapid progress of construction and will be opened for use this year, or early next spring. When completed, and its connections perfected with the West, freights may be carried between the West and the Sea Board at much cheaper rates than they can by any of the *proposed* Canals between the Mississippi Valley and the East.

The Branches of your Railroad have not, in the aggregate, yielded much, if any, direct profit to this Company, but they have added materially to the prosperity of the State, and to the revenues of the Main Line. Where built by other companies, they have been leased to this Company, to be operated by it at cost, that their proprietors might save the outlay that would otherwise be required for rolling-stock and other equipment. The Railroad opened between Lewistown, and Sunbury on the Susquehanna River, the past year, has been thus operated. This Line, though it traverses a good agricultural region, said to contain much undeveloped iron ore, has not secured sufficient traffic to meet its running expenses, leaving the interest upon its bonds, which have been issued to the extent of \$1,200,000, wholly unprovided for. The traffic of the Line is

however, increasing, and may at a future period yield a profit equal to its expenses and the interest upon its indebtedness.

All the Branch Lines recently promoted by your Company in Pennsylvania, have had in view the development of the growing iron ore or coal interest of the State. The Branch opened during the past year to the ore banks of Morrison's Cove in Blair County, promises excellent results, while the Line in progress of construction between Lewisburg on the Susquehanna, and Tyrone on the Pennsylvania Railroad traverses a country abounding in rich iron ore deposits, which have for many years supplied the charcoal furnaces of that region with ores that have produced some of the most valuable irons of the Juniata Valley. The ores of this region are by this Branch made equally accessible to both anthracite and bituminous coals of the best quality for smelting; and in view of these advantages, it opens up a most attractive locality for the manufacture of iron, the demand for which in the home market must annually increase, with the increasing cost of its production in Great Britain; from whence the larger portion of the iron consumed in this and other countries is at present procured. The analyses of these ores, also show that many of them are well adapted to the manufacture of Bessemer steel.

The facilities for the distribution of freights in Philadelphia were not enlarged, in 1872, to the extent desired. The City Councils promptly acted upon the suggestion contained in the last Annual Report of your Company, in relation to the construction of a Railway along the Delaware front, between Christian and Dock Streets, but the "law's delay" has prevented, during the past year, the completion of the improvements desired. The property-owners upon the Delaware front, though anxious for the construction of the work, have not given to it their active co-operation, and, in consequence, this improvement so much needed by the commercial

interests of the City, cannot be finished before the ensuing summer or autumn. In the meanwhile the existing facilities for the accommodation of freights on Market Street are being seriously encroached upon.

The erection of additional elevators for grain traffic has also become important, though it is believed that these may be supplied by private enterprise.

The Connection referred to in our last annual report, between the Pennsylvania Railroad and the Pittsburg, Virginia and Charleston Railway, crossing the Monongahela River above the mouth of Turtle Creek, has been commenced, and if practicable will be completed this year. Its construction has become a necessity, from the impossibility of passing freight trains from the Pittsburg, Cincinnati and St. Louis Railway through Grant's Hill Tunnel without great delay. The cost of this connection is estimated at \$550,000. The Pittsburg, Virginia and Charleston Railway, which is to extend along the valley of the Monongahela to the State line of Virginia, is under contract as far as Monongahela City, and will be opened to that point (thirty miles) during the ensuing summer.

Arrangements have been entered into with the City of Pittsburg, by which nearly all of the streets of that City will pass over or under the Pennsylvania Railroad, which will involve an outlay by this Company very little short of one million of dollars, an expenditure which it is hoped will be compensated for by the additional safety secured to the movement of trains and the avoidance of delays that occur at the present street crossings.

The Baltimore and Potomac Railroad Tunnel under the City of Baltimore, delayed by the unusual severity of the past winter, will be finished in May next and will connect by one continuous line the whole of the Southern system of Railways with those of the North, and the National Capital with the coal and lumber regions.

of Pennsylvania. This important work, under an enlightened management of its connecting lines, cannot fail to exercise a most important influence upon the trade and the prosperity of the Southern Atlantic States, and its completion may be hailed as an object of national importance.

The Northern Central Railway Company, a controlling interest in the stock of which is held by your Company, in consequence of the low rates of freight charged, mainly upon its coal traffic in 1872, did not earn its dividend, the means having been supplied from previous surplus profits. To enable it to do so in the future, additional capital is required to purchase increased rolling stock and provide greater facilities for an economical distribution of freights at Baltimore, the cost of which now materially interferes with the profits of the Company. The means required for this purpose, it has been suggested, can be most economically raised by a lease of the property of the Company to the Pennsylvania Railroad Company. This is not desired by your Board, and will only be entered into to promote your interest in the Company as shareholders. The floating debt of the Northern Central Railway Company is already sufficiently large, and the means to provide for it, will otherwise have to be met by a suspension of dividends until it has been materially reduced.

It has been stated, in previous reports, that your Company had transferred to an organization known as the "Pennsylvania Company" all the leases it had taken of Railways west of Pittsburg, including the Indianapolis and Vincennes, and the Jeffersonville, Madison and Indianapolis Railways; and the control, through a majority of its shares, of the Pittsburg, Cincinnati and St. Louis Railway Company and its Leased Lines—the Pennsylvania Company to meet the conditions of these leases, and to pay the losses sustained in working these several Lines, or either of them. The

Cleveland, Mt. Vernon and Delaware Railroad, and the bridge over the Ohio River at Cincinnati, being at the time in an unfinished condition, were not included in this transfer. In both of these works your Company holds a majority of their shares. The Cleveland, Mt. Vernon and Delaware Railroad will be finished this year, while the bridge over the Ohio has been in use for some months.

The capital of the "Pennsylvania Company" was placed at \$12,000,000, \$8,000,000 of which was to be issued to the Pennsylvania Railroad Company in preferred shares, which amount covered the cost of the property transferred, with interest to April 1, 1872. After that date dividends were to be paid semi-annually out of the net earnings. The first dividend of six per cent. per annum was paid on the 1st of October last, leaving a considerable surplus to the credit of income account. The preferred stock now held by your Company will also participate equally with the common stock in any dividends of income above six per cent. The rental and cost of operating all of these Lines leading from Pittsburg to the Southwest, including the Columbus, Chicago and Indiana Central Railway, have exceeded their income, while those leading to the lakes at Chicago (via Fort Wayne) at Cleveland and at Erie have yielded a profit more than sufficient, after deducting the losses upon the Southwest Lines, to justify the payment of the dividend mentioned.

When the property of the Union Railroad and Transportation Company has been transferred to the "Pennsylvania Company," the authorized capital of the latter (\$12,000,000) will be filled up, and the profits of the Company more than proportionally increased.

None of the steamships building for the Liverpool Line of the American Steamship Company, in which your Company holds a controlling interest, are ready for sea, but it is believed that the

"Pennsylvania," the first launched, will be in readiness to sail early in May next. The models of these vessels are all alike and reflect much credit upon their designer, B. H. Bartol, M. E. They appear to be admirably adapted to the traffic of this Port, and possess accommodations for passengers, both first class and emigrants, equal in comfort and elegance to any of the steamships that ply between Europe and America. The work executed by Messrs. Cramp & Sons, as far as it has progressed, has been faithfully done, and it appears to be fully equal in character and substantiality, to that of any of the European built steamships. They will have all the modern economic improvements in steam navigation, and will not cost on completion much, if any more than they could now be built for in Great Britain.

One of the most energetic and enterprising merchants of this city, E. C. Knight, has been made President of the Steamship Company in place of the late Washington Butcher, deceased. Under his administration we have no doubt but that the line will be managed with credit to this Port and profit to the Stockholders.

In addition to the line established by the American Steamship Company, we notice with pleasure the arrival at this port on the 17th ult., of the fine Steamer Vaderland, the pioneer ship of the International Navigation Company's Line of Steamers, to run regularly between Antwerp and Philadelphia, under contract with this Company referred to in our last annual report.

Since your last annual meeting, the Directors have had to mourn the loss by death, of two of their colleagues. The first, George Black, of Pittsburg, long connected with the public works of this State, occurred in August last. To fill his place, John Scott, a gentleman identified with the financial and manufacturing interests of Pittsburg, was selected. This was followed, early in this year, by the death of Washington Butcher, who had been a

Member of the Board,—with a short intermission,—since 1849. His long service, and devotion to the interest of the Company, render his absence from our meetings a serious loss.

The vacancy caused by Mr. Butcher's decease, has been filled by the election of Samuel M. Felton, C. E., whose high character and long experience in railway management, is well known to this community.

It is with much regret that we have to mention that our esteemed colleague, Joseph B. Myers, a Member of the Board for the past ten years, has been compelled, owing to failing health, to tender his resignation as a Director of your Company. This vacancy has been filled by the election of A. J. Derbyshire, formerly an efficient Member of the Board, and who has always evinced a deep interest in everything concerning the welfare of the Company.

In consequence of impaired health, Thomas T. Firth, who has for so many years faithfully fulfilled the duties of Treasurer of this Company, has been compelled to tender his resignation to the Board that he might be relieved from the laborious and responsible duties of his position. In accepting the resignation of Mr. Firth, the Board, in recognition of the value of his past services, have assigned to him the lighter duties of Secretary and Treasurer of the Sinking Fund of the Company.

Edmund Smith, late Vice-President, who has been connected with the service of your Company since 1847, has been elected by the Board to fill the position of Treasurer—the Board having entire confidence in his integrity and ability to perform the duties of that office.

The increase of the business of your Company, and the continued disability of some of its officers, has rendered a reorganization of the Department for conducting the operations of your Railways important and desirable, to increase their efficiency. With this view,

A. J. Cassatt, at present Manager of the lines between Pittsburg and Jersey City, has been made General Manager of all of the Railways of the Company east of Pittsburg and Erie; C. H. Gardner, General Superintendent of the Pennsylvania Railroad, assisted by Frank Thomson as Superintendent of Motive Power. William A. Baldwin has been continued as General Superintendent of the Philadelphia and Erie Railroad; F. Walcott Jackson, General Superintendent of the Philadelphia and Trenton and the New Jersey Railroads.

All of these gentlemen have been connected for many years with the administration of the several lines committed to their charge, and have materially contributed by their zeal and attention to their duties to the success of your Company.

By order of the Board,

J. EDGAR THOMSON,

President.

Dr.

GENERAL ACCOUNT.

Cr.

To Capital Stock.....	\$2,271,937	50	By Balance standing on books of the Company for the construction of the Railroad between Harrisburg and Pittsburgh, including Franchises to Indiana and Hollidaysburg (in all 27 1/2 miles); also for cost of Stations, Warehouses, Shops and Shop Machinery on the whole Road from Philadelphia to Pittsburgh.....	\$18,309,836 74	
" First Mortgage Bonds due 1880.....	\$1,970,000 00		" Balance standing on books of the Company for the purchase of The Philadelphia and Columbia Railroad.....	5,375,733 43	
" Second " " 1875.....	4,865,840 00		" Balance standing to debit of Equipment of Road, consisting of 733 Locomotives, 236 Passenger Cars, 136 Passage-Mail and Express Cars, 13,749 Freight Cars, and 1,267 Road Cars.....	11,154,555 49	
" General " " 1910.....	19,490,760 00		" Cost of Real Estate of Company and Telegraph Line.....	9,085,731 60	
" Lien of the State upon the Public Works between Philadelphia and Pittsburgh, bearing 5 per cent. interest, payable in annual installments of \$400,000, applicable first to the interest, and the remainder to principal, original amount of which was \$7,500,000, remaining on Real Estate purchased.....	5,584,609 98		" Extension of Pennsylvania Railroad to the Delaware River, including Wharves and Grain Elevator.....	1,612,002 42	
" Mortgages and Ground Rents at 6 per cent. remaining on Real Estate purchased.....	161,009 22		Total amount charged to Construction, Equipment and Real Estate accounts for the Railroad between Philadelphia and Pittsburgh.....		\$12,437,859 68
" Bills Payable.....		25	OTHER ASSETS.....		
" Accounts payable, including Dividends due to Stockholders unpaid.....		00	By Amount of Bonds of Railroad Corporations.....		19,404,776 25
" Appraised value of Securities owned by The United New Jersey Railroad and Canal Company, and transferred with the Lease of the Works of that Company.....		07	" Amount of Capital Stock of Railroad Corporations.....		21,440,845 43
" Contingent Fund.....	4,065,225		" Amount of Bonds of Municipal Corporations and investments not otherwise enumerated.....		62,500 00
" Balance to Credit of Profit and Loss.....	3,713,246		" Appraised value of Securities owned by the United New Jersey Railroad and Canal Company, and transferred with the Lease of the Works of that Company.....		4,065,225 25
	11,616,951		" Cost of Bonds and Stock in Sinking Fund.....		2,433,433 35
			" Cost of Bonds representing Contingent Fund.....		2,000,000 00
			" Amount of Fuel and Materials on hand for repairs to Locomotives, Cars, and Maintenance of Way on the Pennsylvania Railroad.....		2,456,178 99
			" Amount of Fuel and Materials on hand for repairs to Locomotives, Cars and Maintenance of Way on The United Railroad of New Jersey Division.....		
			" Amount advanced to pay for Fuel and Materials on hand for repairs to Locomotives, Cars, and Maintenance of Way on The Philadelphia and Erie Railroad.....	891,590 11	
			" Amount advanced to operate The Philadelphia and Erie Railroad.....	507,820 84	
			" Amount of Bills and Accounts receivable, and amount due from other Roads.....	544,907 12	
			" Balance in hands of Agents.....	17,837,660 98	
			" Balance in hands of Treasurer.....	1,180,904 73	
				1,395,322 30	
				\$116,658,824	
					03

E. & O. E.—PHILADELPHIA, December 31, 1872.

THOS. T. FIRTH, Treasurer.

